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Date:
March 7, 2013

LEGEND

Taxpayer	=
State A	=
Date 1	=
Date 2	=
Date 3	=
Date 4	=
Date 5	=
Date 6	=
Effective Date	=
Year 1	=
a	=
b	=

c =

d =

A =

B =

Subsidiary 1 =

Subsidiary 2 =

Environmental Trust 1 =

Environmental Trust 2 =

Environmental Trust 3 =

Environmental Trust 4 =

Environmental Trust 5 =

Settlement Agreement =

Trust 1 =

Trust 1 Agreement =

Trust 2 =

Trust 2 Agreement =

Dear :

This responds to a letter postmarked September 14, 2012, and subsequent correspondence, submitted on behalf of Taxpayer by its authorized representative, requesting a ruling that Taxpayer is eligible to make a grantor trust election with respect to certain trusts pursuant to § 1.468B-1(k) of the Income Tax Regulations.

FACTS

Taxpayer, a State A corporation, is a leading global producer and marketer of a, with operations in multiple continents. Taxpayer uses an accrual method of accounting and a taxable year that ends on December 31.

Taxpayer was formed on Date 1 as an indirect wholly-owned subsidiary of A. A transferred the assets and entities that comprised its b business to Taxpayer. The b business was subject to large historic environmental and tort liabilities ("Liabilities"). On Date 2, Taxpayer was spun-off to A's shareholders as a separate corporation. A was subsequently acquired by B. As a result of the Liabilities, numerous claims were brought against Taxpayer and certain of its subsidiaries relating to the release of substances into the environment and exposure to substances. Nearly all of these claims were brought against Taxpayer and two of its subsidiaries, Subsidiary 1 and Subsidiary 2. Subsidiary 1 is a wholly-owned subsidiary of Taxpayer, and Subsidiary 2 is a wholly-owned subsidiary of Subsidiary 1.

Due in significant part to the Liabilities, on Date 3, Taxpayer and certain of its subsidiaries (collectively, "Debtors"), including Subsidiary 1 and Subsidiary 2, filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. On Date 4, Taxpayer, Subsidiary 1, and Subsidiary 2 filed suit against A and B in bankruptcy court, alleging actual and constructive fraudulent transfer, civil conspiracy, and breach of fiduciary duty in connection with the spin-off ("Litigation"). On Date 5, pursuant to the Settlement Agreement, Taxpayer agreed to resolve its environmental liabilities with the United States federal government and other state and local governments. As part of the settlement, the governments and certain bankruptcy-created trusts described below received, among other consideration, cash and the rights to proceeds from the Litigation.

On Date 6, the bankruptcy court confirmed the Debtors' plan of reorganization ("Plan"). The confirmed Plan provided that all assets and liabilities of the Debtors were consolidated in Taxpayer's bankruptcy estate for purposes of voting, confirmation, and distributions. Pursuant to the confirmed Plan and the Settlement Agreement, on Effective Date, Taxpayer established c state law trusts ("Trusts") which will assume and resolve certain of the Liabilities. The Trusts include d environmental response trusts ("Environmental Trusts"), the Trust 1, and the Trust 2.

Taxpayer represents that the Environmental Trusts were established to resolve environmental liabilities of Taxpayer and certain of its subsidiaries owed to the U.S. federal government and various state and local governments with respect to certain sites owned by Taxpayer ("Environmental Liabilities"). Taxpayer represents that the Environmental Trusts 1, the Environmental Trust 2, the Environmental Trust 3, and the Environmental Trust 4 were established at least in part to resolve liabilities arising under the Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA"). Taxpayer represents that the Environmental Trust 5 was established at least in part to resolve liabilities arising out of a violation of law. Pursuant to the confirmed Plan and the Settlement Agreement, on Effective Date, Taxpayer, through Subsidiary 1, contributed cash, real estate, equity interests in certain entities, and the rights to a portion of the proceeds generated from the Litigation, if any, to the

Environmental Trusts. The Settlement Agreement provides that the bankruptcy court retains jurisdiction over each of the Environmental Trusts.

Taxpayer represents that the Trust 1 was established to resolve tort liabilities (non-governmental claims) of Taxpayer and certain of its subsidiaries ("Tort Liabilities"). Pursuant to the confirmed Plan, on Effective Date, Taxpayer, through Subsidiary 1, contributed cash and the rights to a portion of the proceeds generated from the Litigation, if any, to the Trust 1. The Trust 1 Agreement provides that the bankruptcy court retains powers to approve certain decisions of the Trust 1 and to review any final accounting of the Trust 1's distributions, and that the trustee may be removed pursuant to an order of the bankruptcy court for various specified reasons.

Taxpayer represents that the Trust 2 was established to facilitate implementation of the confirmed Plan, the Settlement Agreement, and the Trust 1 Agreement by holding assets for the benefit of the Trust 1, certain of the Environmental Trusts, and various governmental beneficiaries. Taxpayer represents that the Trust 2 was established at least in part to resolve liabilities arising under CERCLA and arising out of a tort or violation of law. The Trust 2 will resolve certain Environmental Liabilities, the Tort Liabilities, and environmental obligations of Taxpayer and certain of its subsidiaries owed to various federal, state, and local governments with respect to sites that are not owned by Taxpayer, by prosecuting the Litigation and distributing the proceeds to certain of the Environmental Trusts, the Trust 1, and the governmental beneficiaries of the Litigation Trust. Pursuant to the confirmed Plan and the Trust 2 Agreement, on Effective Date, Taxpayer, through Subsidiary 1, contributed cash and the rights to prosecute the Litigation to the Trust 2. The Trust 2 Agreement provides that the Trust 2 shall remain subject to the continuing jurisdiction of the bankruptcy court.

Taxpayer represents that the Environmental Liabilities, environmental obligations for non-owned sites, and the Tort Liabilities will be extinguished upon the funding of the Trusts, as set forth in the confirmed Plan, the Settlement Agreement, the Trust 1 Agreement, and the Trust 2 Agreement.

On the filing date of the Litigation and at all times through and including Effective Date, Subsidiary 1 and Subsidiary 2 were disregarded as entities separate from their owners for federal income tax purposes pursuant to § 301.7701-2(c)(2)(i).

REQUESTED RULING

The requested ruling is that Taxpayer is eligible to make a grantor trust election under § 1.468B-1(k) with respect to each of the Trusts. Pursuant to § 1.468B-1(k), if a qualified settlement fund has only one transferor, the transferor may make an election to treat the qualified settlement fund as a trust, all of which is owned by the transferor under § 671 of the Internal Revenue Code and the regulations thereunder.

Qualified Settlement Fund Requirements

Section 468B(g) provides, in part, that nothing in any provision of law shall be construed as providing that an escrow account, settlement fund, or similar fund is not subject to current income tax. Pursuant to the authority of § 468B(g), the Secretary has published §§ 1.468B-1 through 1.468B-5 regarding qualified settlement funds.

Section 1.468B-1(a) provides that a qualified settlement fund is a fund, account, or trust that satisfies the requirements of § 1.468B-1(c). First, § 1.468B-1(c)(1) requires that the fund, account, or trust is established pursuant to an order of, or it is approved by, the United States, any state (including the District of Columbia), territory, possession, or political subdivision thereof, or any agency or instrumentality (including a court of law) of any of the foregoing and is subject to the continued jurisdiction of that governmental authority. Second, § 1.468B-1(c)(2) requires that the fund, account, or trust is established to resolve or satisfy one or more contested or uncontested claims that have resulted or may result from an event (or related series of events) that has occurred and that has given rise to at least one claim asserting liability (i) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980; (ii) arising out of a tort, breach of contract, or violation of law; or (iii) designated by the Commissioner in a revenue ruling or revenue procedure. Third, § 1.468B-1(c)(3) provides that the fund, account, or trust must be a trust under applicable state law, or its assets must be otherwise segregated from other assets of the transferor (and related persons).

Section 1.468B-1(j)(1) provides that if a fund, account, or trust is established to resolve or satisfy claims described in § 1.468B-1(c)(2), the assets of the fund, account, or trust are treated as owned by the transferor of those assets until the fund, account, or trust also meets the requirements of § 1.468B-1(c)(1) and (c)(3). On the date the fund, account, or trust satisfies all the requirements of § 1.468B-1(c), the transferor is treated as transferring the assets to a qualified settlement fund.

Section 1.468B-2(k)(2) provides that a qualified settlement fund is in existence for the period that (i) begins on the first date on which the fund is treated as a qualified settlement fund under § 1.468B-1; and (ii) ends on the earlier of the date the fund (A) no longer satisfies the requirements of § 1.468B-1; or (B) no longer has any assets and will not receive any more transfers.

Based on the facts represented, on Effective Date, each of the Trusts satisfied all three requirements of § 1.468B-1(c), and are therefore qualified settlement funds.

First, with respect to § 1.468B-1(c)(1), the Trusts are established pursuant to an order of the bankruptcy court, and are subject to the continuing jurisdiction of such court. The Settlement Agreement, the Trust 1 Agreement, and the Trust 2 Agreement provide that the bankruptcy court retained jurisdiction over the Environmental Trusts, the Trust 1, and the Trust 2, respectively.

Second, with respect to § 1.468B-1(c)(2), the Environmental Trusts were established to resolve or satisfy contested or uncontested claims that have resulted or may result from a related series of events that have occurred and that have given rise to at least one claim asserting liability under CERCLA or arising out of a violation of law. Pursuant to the confirmed Plan and the Settlement Agreement, all of the Environmental Liabilities will be extinguished upon the funding of the Environmental Trusts. Some of the events (or related series of events) that have already occurred involve the release of hazardous substances into the environment. These events have given rise to environmental claims brought against Taxpayer and its subsidiaries. The Environmental Trusts were established to resolve and satisfy these claims.

The Trust 1 was established to resolve or satisfy contested or uncontested claims that have resulted or may result from a related series of events that have occurred and that have given rise to at least one claim asserting liability arising out of a tort. Pursuant to the confirmed Plan and the Trust 1 Agreement, all of the Tort Liabilities will be extinguished upon the funding of the Trust 1. Some of the events (or related series of events) that have already occurred involve personal injuries and property damages allegedly caused by exposure to and/or release of certain substances. These events have given rise to tort claims brought against Taxpayer and its subsidiaries. The Trust 1 was established to resolve and satisfy these claims.

The Trust 2, which will prosecute the Litigation and distribute the proceeds, was established to resolve or satisfy contested or uncontested claims that have resulted or may result from a related series of events that have occurred and that have given rise to at least one claim asserting liability under CERCLA, arising out of a violation of law, or arising out of a tort. Pursuant to the confirmed Plan, certain Environmental Liabilities, the Tort Liabilities, and environmental obligations for non-owned sites will be extinguished upon the funding of the Trust 2. Some of the events (or related series of events) that have already occurred include the release of hazardous substances into the environment, and personal injuries and property damages allegedly caused by exposure to and/or release of certain substances. These events have given rise to environmental and tort claims brought against Taxpayer and its subsidiaries. The Trust 2 was established to resolve and satisfy these claims.

Third, with respect to § 1.468B-1(c)(3), the Trusts were established as trusts under state law.

Grantor Trust Election

Pursuant to § 1.468B-1(k), if there is only one transferor to a qualified settlement fund, the transferor may make an election to treat the qualified settlement fund as a trust, all of which is owned by the transferor under § 671 of the Internal Revenue Code and the regulations thereunder (a grantor trust election).
Section 1.468B-1(d)(1) provides that a "transferor" is a person that transfers (or on behalf of whom an insurer or other person transfers) money or property to a qualified settlement fund to resolve or satisfy claims described in paragraph (c)(2) of this section against that person.

Taxpayer, through its wholly-owned subsidiary which is a disregarded entity pursuant to § 301.7701-2(c)(2)(i), contributed assets to the Trusts to resolve or satisfy environmental and tort liabilities which were consolidated in Taxpayer's bankruptcy estate. Accordingly, the contributions to the Trusts are treated for federal income tax purposes as made by Taxpayer to satisfy claims against Taxpayer. Thus, Taxpayer, as a single transferor, may make a grantor trust election pursuant to § 1.468B-1(k)(1) with respect to each of the Trusts.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. Specifically, we express no opinion regarding whether the Trusts are established in part to resolve or satisfy non-allowable claims pursuant to § 1.468B-1(h)(2). Additionally, we express no opinion regarding whether Taxpayer's liabilities and obligations will be extinguished upon the funding of the Trusts. We also express no opinion as to the deductibility of any payment already made, that will be made, or that Taxpayer treats as constructively made, by the Trusts. Additionally, no opinion is given concerning any transfers or payments not specifically mentioned herein, including any made by A or B. We also express no opinion, (except as specifically provided herein), under the consolidated return regulations or otherwise, of the tax treatment of any purported, deemed, or actual transfers of assets or assumptions of liabilities in anticipation of the ultimate transfer of assets to the Trusts, including the recognition of gain or loss, adjustments to stock basis, and other adjustments. Finally, we express no opinion regarding the valuation of any assets (including claims and legal rights) or liabilities.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to Taxpayer's authorized representatives.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

The ruling contained in this letter is based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings it is subject to verification on examination.

Sincerely,

MARTIN SCULLY, JR.

Martin Scully, Jr.
Senior Counsel, Branch 6
(Income Tax & Accounting)

cc: